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TAGS: [EAID](#) [ETRD](#) [CE](#)

SUBJECT: SRI LANKA: GERMAN AID MINISTER CALLS FOR EU TO
WITHDRAW GSP+

REF: A. COLOMBO 92

[1](#)B. 07 COLOMBO 903

Classified By: DCM James R. Moore, reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: German Minister for Economic Cooperation and Development Heidemarie Wiecezorek-Zeul told the German press this week that she would urge the EU to withdraw Sri Lanka's eligibility for tariff-free exports to the EU under the GSP program if Sri Lanka continues to pursue a military resolution of the conflict. She also called on the UN Secretary General to send a special envoy to Sri Lanka in

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response to the termination of the Ceasefire Agreement. Germany Embassy officials told post that Wiecezorek-Zeul's comments had not been coordinated with the foreign ministry and would not likely affect Germany's aid to Sri Lanka, which since late 2006 has been in "no new money" status. The minister's statement reflects growing frustration among western donors with the government's effort to win the conflict militarily. That frustration looks set to result in a serious EU debate on whether to withdraw GSP, but the debate will be complicated by recognition that garment factory workers stand to be hit hardest if GSP goes. End summary.

[1](#)2. (U) German Minister for Economic Cooperation and Development Heidemarie Wiecezorek-Zeul, in a February 9 interview with German newspaper "Tagesspiegel," urged the EU to withdraw Sri Lanka's eligibility for tariff-free exports to the EU under the GSP program if Sri Lanka continues to pursue a military resolution of the conflict. In response to questions about the international response to the termination of the Ceasefire Agreement, Wiecezorek-Zeul also suggested that the UN Secretary General send a special envoy to Sri Lanka. The minister also stated that Germany would withdraw from Sri Lanka half of its development cooperation personnel and would close the German Development Bank (KFW) office in Sri Lanka "because the security situation is very critical." Sri Lankan English language newspaper "The Morning Leader" February 13 reprinted the "Tagesspiegel" interview.

[1](#)3. (C) German Embassy DCM Wolfgang Erdmannsdoerfer told poloff and econoff that Wiecezorek-Zeul's comments on GSP had not been coordinated with the foreign or trade ministries and probably reflected the veteran minister's off-the-cuff views, not a final German position. He also judged that the EU's

eventual decision regarding Sri Lanka's continued eligibility for GSP would likely depend primarily on input to the EU from the International Labor Organization and other expert UN bodies on whether Sri Lanka was adhering to the international conventions required for GSP eligibility (ref A).

¶4. (C) Germany's Counselor for Economic Cooperation and Development, Andreas Hartmann, also downplayed the minister's comment about withdrawing half of Germany's development staff and closing the KFW office. These were not new decisions, but rather were the managerial consequences of Germany's October 2006 decision not to commit new aid to Sri Lanka (ref B). Hartmann explained that Germany had decided then against committing additional tsunami relief or other development aid because increasingly frequent ceasefire violations and government-imposed restrictions had prevented Germany from delivering assistance to communities in the north and the east. Germany has not considered new aid to Sri Lanka since then, he said. As a result, its aid activities consist only of work initiated before the 2006 cut-off. This level of engagement required fewer personnel, hence only sixteen of the current 32 technical experts would remain in Sri Lanka. He predicted that the KFW office would be closed some time this year.

¶5. (C) Comment: While the German officials clarified that there was no further retrenchment in Germany's aid to Sri Lanka and that the minister's statement on GSP may not be definitive, the statement reflected western donors' substantial frustration with the government's apparent intent to pursue a military solution to the conflict. Donors not only doubt that military victory is possible, they know that continued fighting undermines development efforts. On the other hand, EU-member missions here are aware that withdrawal of GSP would most directly harm garment factory employees, who are among the low-income Sri Lanka's that development programs are trying to assist. One local manufacturer, which

employs 2,200 people producing outerwear for retailers like LL Bean and Eddie Bauer, told econoff that suspension of GSP would force it to close two or three of its six factories. This kind of consequence could ultimately make EU members reluctant to withdraw GSP, despite their frustration with the government's handling of the conflict.

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